

Message Text

LIMITED OFFICIAL USE

PAGE 01 MANILA 00570 141128Z

17

ACTION TRSE-00

INFO OCT-01 EA-06 ISO-00 NEA-09 IO-10 H-01 L-02 PA-01

PRS-01 USIA-06 SP-02 AID-05 EB-07 NSC-05 RSC-01

CIEP-01 SS-15 STR-01 OMB-01 CEA-01 CIAE-00 COME-00

FRB-01 INR-07 NSAE-00 XMB-02 OPIC-03 LAB-04 SIL-01

/094 W

----- 020664

P 140931Z JAN 75

FM AMEMBASSY MANILA

TO SECSTATE WASHDC PRIORITY 9804

LIMITED OFFICIAL USE MANILA 570

USADB

TREASURY FOR ZINMAN/BUSHNELL/JESUN PAIK

E O 11652: ADS, DECLAS 1/14/77

TAGS: EAID, EFIN

SUBJ: POSSIBLE TOPICS FOR INOUE WASHINGTON VISIT

REFS: A) TREASURY 75-6; B) TREASURY 75-4; C) TREASURY 75-5

1. SECOND \$50 MILLION U.S. CONTRIBUTION TO ADF.
PRESIDENT INOUE UNDOUBTEDLY MOST CONCERNED WITH STATUS
OF SECOND \$50 MILLION U.S. CONTRIBUTION TO ASIAN DEVELOPMENT
FUND (ADF). IF DIFFICULTIES ENCOUNTERED WITH
PROPOSED TIMETABLE OF CONTRIBUTION UNDER CONTINUING
RESOLUTION (REF B), SUGGEST ELABORATION OF PROSPECTIVE
CONGRESSIONAL ACTION ON FY 1975 FOREIGN AID APPROPRIATIONS
BILL. INOUE AND OTHER CONTRIBUTORS TO ADF PARTICULARLY
INTERESTED IN PROSPECTS FOR, AS WELL AS TIMING OF,
SECOND \$50 MILLION U.S. CONTRIBUTION TO ADF SINCE
CONTRIBUTION PER SE CRITICAL TO WILLINGNESS OF OTHER
LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 02 MANILA 00570 141128Z

DONORS TO MAKE SECOND TRANCHE CONTRIBUTIONS AS SCHEDULED.

2. RESOURCE REPLENISHMENT.

MANAGEMENT HAS JUST ISSUED WORKING PAPER FOR JAN. 23 BOARD CONSIDERATION (DETAILS WILL BE REPORTED SEPTTEL) ON PROCEDURAL STEPS ENVISIONED RE REPLENISHMENT OF BANK'S RESOURCES. SCENARIO OUTLINED IS THAT IN EARLY FEBRUARY WORKING PAPER TO BE ISSUED FOR BOARD DISCUSSION LATE FEB. AND MARCH MAKING PRELIMINARY PROPOSALS FOR SECOND REPLENISHMENT OF ORDINARY CAPITAL AND FIRST REPLENISHMENT OF SPECIAL FUNDS. BOARD WOULD PREPARE REPORT AND DRAFT RESOLUTION FOR GOVERNORS CONSIDERATIONS AT EIGHTH ANNUAL MEETING THIS APRIL AUTHORIZING DIRECTORS TO STUDY AND FORMULATE PROPOSALS. MEANWHILE, MANAGEMENT WOULD INITIATE CONSULTATIONS WITH POTENTIAL DONORS TO ASIAN DEVELOPMENT FUND REPLENISHMENT AND HOLD DISCUSSION AT TIME OF EIGHTH ANNUAL MEETING. PRIORITY IS BEING GIVEN TO ADF REPLENISHMENT WITH HOPE FOR AGREEMENT BEFORE END-SEPTEMBER 1975 AND CONTRIBUTIONS BECOMING EFFECTIVE IN FIRST HALF OF 1976. RE ORDINARY CAPITAL REPLENISHMENT, OBJECTIVE WOULD BE TO REACH AGREEMENT DURING 1976 WITH SUBSCRIPTIONS BECOMING EFFECTIVE IN EARLY 1977. INOUE UNDOUBTEDLY INTERESTED IN U.S. VIEWS THESE PROPOSALS SINCE U.S. PARTICIPATION CRUCIAL TO SUCCESS OF BOTH REPLENISHMENT EFFORTS.

3. INTEREST RATE INCREASE.

BOARD TO CONSIDER 4 FEB. 1975 BANK PROPOSAL (DETAILS WILL BE REPORTED SEPTTEL) TO INCREASE ORDINARY CAPITAL LENDING RATE FROM 8-1/4 PERCENT TO 8-3/4 PERCENT. BASIC REASON GIVEN FOR PROPOSAL IS INCREASE IN BANK'S EFFECTIVE BORROWING COST TO AVERAGE 8-3/4 PERCENT. HENCE, IN LIGHT OF CUSTOMARY BANK PRACTICE THAT LENDING RATE AT LEAST EQUAL TO AVERAGE BORROWING COST, BANK PROPOSAL 8-3/4 PERCENT RATE FROM ORDINARY CAPITAL RESOURCES.

4. IN ADDITION TO INCREASE IN LENDING RATE, BOARD PAPER PROPOSES THAT THESE COUNTRIES WITH PER CAPITA INCOME ABOVE \$850, I.E. HONG KONG AND SINGAPORE, LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 03 MANILA 00570 141128Z

BE SUBJECT TO PREMIUM RATE OF 9-1/2 PERCENT. PAPER SUGGESTS THAT 3/4 PERCENT ROUGHLY EQUIVALENT TO SUBSIDY INCORPORATED IN PROPOSED 8-3/4 PERCENT. HENCE, 9-1/2 PERCENT REPRESENTS FREE-OF- SUBSIDY LENDING RATE TO MORE AFFLUENT MEMBER COUNTRIES OF ADB.

5. IN EFFECT, BANK PROPOSAL ATTEMPTS TO RESOLVE DILEMMA OF FURTHER BANK LENDING TO HONG KONG AND

SINGAPORE. INOUE FULLY APPRECIATES U.S. POSITION REGARDING SUCH LENDING BUT FEELS HIGHLY OBLIGATED TO CONTINUING LENDING, PARTICULARLY TO HONG KONG, IN VIEW OF FACT THAT BANK WAS FAIRLY ACTIVE IN SINGAPORE IN EARLIER YEARS, E.G. BANK LENDING TO SINGAPORE CURRENTLY \$100 MILLION COMPARED TO \$20 MILLION FOR HONG KONG. BANK PROPOSAL ATTEMPTS COMPROMISE IN WHICH HONG KONG MAINTAINS ACCESS TO ADB FINANCING BUT AT PREMIUM RATE. IN ADDITION, INOUE HAS INDICATED THAT ADB WOULD FINANCE ONLY THOSE PROJECTS IN HONG KONG WITH CONSIDERABLE SOCIAL IMPACT (NO MORE THAN \$20 MILLION ANNUALLY), E.G. WATER SUPPLY AND SEWAGE SYSTEMS. OBVIOUSLY, INOUE GREATLY INTERESTED IN U.S. REACTION TO PROPOSAL HOPING THAT COMPROMISE WILL CUSHIN BRUNT OF CONGRESSIONAL CRITICISM AND THEREFORE BE MINIMALLY ACCEPTABLE TO U.S. USADB NOTES THAT INOUE HAS LONG ATTEMPTED TO EFFECT SUCH ARRANGEMENT AND BELIEVES IT BEST COMPROMISE POSSIBLE. REALIZE TERMINATION OF HONG KONG/SINGAPORE LENDING PREFERABLE GIVEN CONGRESSIONAL CONCERN BUT USADB BELIEVES SOME MILEAGE POSSIBLE WITH CURRENT PROPOSAL.

6. COST OVERRUNS.

INOUE UNDOUBTEDLY EXPECTS ISSUE OF COST OVERRUN TO BE RAISED DURING CONSULTATIONS. IN GENERAL, HE UNDERSTANDS U.S. POSITION AND OBVIOUSLY WOULD PREFER TO OBTAIN NON-ADB FINANCING FOR COST OVERRUNS IF POSSIBLE IN VIEW OF SCARCITY ADB RESOURCES. HOWEVER, INOUE PRIVATELY QUESTIONED U.S. POSITION ON SRI LANKA AND BANGLADESH COST OVERRUNS SINCE, IN HIS VIEW, NO ALTERNATIVE SOURCE OF FINANCING EXISTED. HENCE, IF BANK FAILED TO PROVIDE FINANCING FOR COST OVERRUN, PROJECTS WOULD REMAIN UNCOMPLETED OR GREATLY LIMITED OFFICIAL USE

LIMITED OFFICIAL USE

PAGE 04 MANILA 00570 141128Z

REDUCED IN SCOPE RENDERING THEM NEITHER ECONOMICALLY NOR FINANCIALLY VIABLE. CONSEQUENTLY, WOULD BE USEFUL TO EXCHANGE WITH INOUE THOUGHTS ON COST OVERRUN ISSUE WITH PARTICULAR REFERENCE ADB POSITION IN THOSE INSTANCES WHERE ALTERNATIVE SOURCES OF FINANCING DO NOT, IN BANK JUDGEMENT, EXIST REGARDLESS OF WHETHER COST OVERRUN OCCASIONED BY DELAY OF PROJECT IMPLEMENTATION.

7. ROC REPRESENTATION.

IN VIEW OF FACT PAKISTAN RAISED REPRESENTATION ISSUE AT LAST ANNUAL MEETING, INOUE MAY POSSIBLY ALLUDE TO REPRESENTATIONAL ISSUE AND CURRENT U.S. POSITION THAT MATTER.
SULLIVAN

LIMITED OFFICIAL USE

NNN

Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: MEETING AGENDA, COSTS, VISITS, FINANCIAL CONTRIBUTIONS, INTEREST RATES
Control Number: n/a
Copy: SINGLE
Draft Date: 14 JAN 1975
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: greeneet
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1975MANILA00570
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: N/A
Errors: N/A
Film Number: D750013-1047
From: MANILA
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1975/newtext/t19750154/aaaabvfm.tel
Line Count: 168
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION TRSE
Original Classification: LIMITED OFFICIAL USE
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 4
Previous Channel Indicators: n/a
Previous Classification: LIMITED OFFICIAL USE
Previous Handling Restrictions: n/a
Reference: 75 TREASURY 75-6, 75 TREASURY 75-4, 75 TREASURY 75-5
Review Action: RELEASED, APPROVED
Review Authority: greeneet
Review Comment: n/a
Review Content Flags:
Review Date: 11 JUL 2003
Review Event:
Review Exemptions: n/a
Review History: RELEASED <11 JUL 2003 by CunninFX>; APPROVED <14 NOV 2003 by greeneet>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
05 JUL 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: POSSIBLE TOPICS FOR INOUE WASHINGTON VISIT
TAGS: EAID, EFIN, RP, US, ADB-1, (INOUE)
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 05 JUL 2006